

## **Director's Office/Management Services Division:**

The Director's Office/Management Services Division consists of three programs:

### **The Director's Office:**

The Director's Office assists the department with executive, administrative, legal, and policy guidance. This office acts as the liaison among private business, local governments, administratively-attached boards, public and private interest groups, the legislature, Indian tribes, individuals, and the Governor's office in the effort to improve and stabilize the economic climate in Montana.

### **Management Services Division:**

The Management Services Division provides internal support to all agency divisions, bureaus, and programs. Services provided by the Management Services Division include accounting, budgeting, fiscal management, contracting, purchasing, information technology, human resources, payroll, benefits, and training.

The Director's Office/Management Services Division responsibilities are mandated primarily in Title 2, Chapter 15 and Title 90, Chapter 1, MCA.

### **The Montana Council on Developmental Disabilities (MCDD):**

In 2003, the 58<sup>th</sup> Montana Legislature transferred the Developmental Disabilities Planning and Advisory Council (DDPAC) from the Department of Public Health and Human Services to the Department of Commerce with the provision the State could contract with a nonprofit corporation for the purposes of carrying out the responsibilities delegated to the DDPAC. In January 2004 the Department entered into a contract with the Montana Council on Developmental Disabilities (MCDD) as a nonprofit corporation. The Department of Commerce remains the cognizant state agency with the Federal Department of Health and Human Services; disbursing (pass through) funds to the newly created nonprofit under the terms and conditions of the contract. The MCDD program is funded entirely in HB 2 with federal special revenue.

MCDD responsibilities are mandated primarily in Title 53, Chapter 20, MCA.

### **Mission:**

To enhance the department's mission of economic and community development by effectively and efficiently assisting departmental staff, and setting the visionary direction in which the Department of Commerce does business.

### **Goals and Objectives:**

In order to fulfill its mission the Director's Office/Management Services Division is committed to achieving the following goals and objectives:

Provide a quality internal organizational and support structure for the department's programs that recognizes the importance of satisfying customer needs while assuring the legislature, the public, and management that the department conforms to applicable laws and policies.

Analyze, with program managers, the statutory, administrative, and programmatic objectives of their programs in order to develop performance measures which maximize the benefits of the

services provided to the citizens of Montana while minimizing the resources required to achieve those objectives.

Analyze, develop, and implement work processes within the department that support further program efficiency and effectiveness.

Empower staff to remedy problems at the earliest point.

Eliminate outdated and unnecessary rules and regulations that may impede customer service.

Advocate to management the development of systems, policies, and procedures that reduce the amount of paperwork necessary to meet customer needs.

### **HB 576 Program Description:**

The Director's Office assists the department with executive, administrative, legal, and policy guidance. This office acts as the liaison among private business, local governments, administratively-attached boards, public and private interest groups, the legislature, Indian tribes, individuals, and the Governor's office in the effort to improve and stabilize the economic climate in Montana.

The Management Services Division provides internal support to all agency divisions, bureaus, and programs. Services provided by the Management Services Division include accounting, budgeting, fiscal management, contracting, purchasing, information technology, human resources, payroll, benefits, and training.

The Director's Office and the Management Services Division are funded through an internal service fund; accounting entity 06542.

The Director's Office/Management Services Division responsibilities are mandated primarily in Title 2, Chapter 15 and Title 90, Chapter 1, MCA.

Customers are all divisions, bureaus, programs, and employees of the Department of Commerce. Use of these services is mandated by agency policies and procedures; there are no alternative sources for these services; although the department may contract for legal services from time to time whenever it is most appropriate and cost effective to do so.

During the last legislative session HB 734 transferred the Developmental Disabilities Planning and Advisory Council (DDPAC) from the Department of Public Health and Human Services to the Department of Commerce; with the option of becoming a non-profit entity. In January 2004 the Department entered into a contract with the Montana Council on Disabilities (MCDD) as a nonprofit corporation. The MCD program is funded entirely in HB 2 with federal special revenue. SB 232 transferred the Montana Heritage Preservation and Development Commission (Heritage Commission) from the Montana Historical Society to the Department of Commerce. The Heritage Commission was added to the Department of Commerce as a separate division.

With the exception of the addition of these programs there has not been any significant program, service, or customer base change since the last session.

## **HB 576 Revenues, Expenses, and Fund Equity:**

### **Revenue Description:**

The Director's Office/Management Services Division; is funded by revenues from charges allocated to all divisions, bureaus, and programs supported by the divisions indirect cost plan. Indirect costs are allocated to supported programs based upon federally, and legislatively approved indirect cost rates applied to actual personal services expenditures.

The Director's Office/Management Services Division provides all of the services listed in the program description to all department divisions, bureaus, programs, and employees.

The customer base for the Director's Office/Management Services Division includes:

Board of Research & Commercialization Technology  
Business Resources Division  
Montana Promotion Division  
Community Development Division  
Montana Facility Finance Authority  
Housing Division  
Board of Investments  
Montana Heritage Preservation and Development Commission  
Montana Council on Developmental Disabilities

The revenue objective of the Director's Office/Management Services Division is to maintain the lowest possible indirect charge to supported divisions, bureaus, and programs, while maintaining a nominal working capital reserve. The department has historically used this methodology in calculating indirect rates because the federal government requires the same methodology to be used when charging indirect costs to federally funded programs.

FY 2004 base year funding, by fund type is as follows:

	FY 2004	%
General Fund	\$ 124,151.08	13.018%
State Special	\$ 252,284.11	26.453%
Federal Special	\$ 123,830.24	12.984%
Proprietary	\$ 421,171.63	44.161%
Misc. Reimbursement	\$ 32,277.64	3.384%
Totals:	\$ 953,714.70	100.000%

Customer expenditures are primarily recorded in SABHRS expenditure codes 62743, 62827, and 62888; while Director's Office/Management Services Division revenues are primarily recorded in the following SABHRS revenue codes:

	FY 2004	%
520702	\$ 896,437.06	93.994%
520901	\$ 183.74	0.019%
522017	\$ 90.00	0.009%
522119	\$ 4,424.59	0.464%
525045	\$ 52,579.31	5.513%
Totals:	\$ 953,714.70	100.000%

#### **Expense Description:**

The major cost drivers within the Director's Office/Management Services Division are personal services, operating expenses and expenditures related to the periodic replacement of the agencies computer equipment. The major cost drivers for the division can best be represented in the following table:

	FY 2004	%
FTE	16.50	
Personal Services	\$ 859,583.05	80.632%
Operating Expenses	\$ 206,478.60	19.368%
Totals:	\$ 1,066,061.65	100.000%

Factors that contribute to uncertainty in forecasting expenses involve potential legislative actions since the cost of providing centralized support services is directly related to the number and complexity of the agencies divisions, bureaus, and programs; and the number of agency staff served. As agency services and programs increase, or decrease; management needs to remain cognizant of divisions staffing requirements and indirect cost rates and make the necessary adjustments when needed.

For the purposes of this analysis, it is assumed the agencies divisions, bureaus, programs, and staff remain constant. Non-typical and one-time-only expenses are subtracted out of the divisions future cost projections before calculating the indirect rate. The proposed indirect cost rate will fund 16.50 FTE in the 2007 biennium; the same number as the 2005 biennium.

#### **Working Capital Discussion:**

The division's indirect cost rate is calculated by dividing projected annual expenses, plus a nominal working capital reserve, by the projected actual personal services expenses of supported divisions, bureaus, and programs. Federally funded programs are allocated indirect costs via a federally approved indirect cost rate, while state funded programs are allocated indirect costs via a legislatively approved indirect cost rate.

The division's working capital objective is to recover the costs necessary to fund the division's ongoing operations. Since indirect cost collections lag by at least one month the division needs to maintain a nominal 60 day working capital reserve to meet operating costs. For example,

January's indirect costs would be billed to supported divisions, bureaus, and programs in February.

**Fund Equity and Reserved Fund Balance:**

At the proposed rates, the Department projects a fiscal year end 2007 ending unreserved fund balance of \$194,276, or approximately a 60 day working capital reserve.

**Rate Explanation:**

The division negotiates an annual rate with HUD. The approved rate is a fixed rate for federally funded programs. This rate is then applied against actual personal services expenditures within the department, not including the Director's Office/ Management Services Division.

The rate negotiated with HUD requires that a carry-forward amount be built into the rate. This carry-forward amount represents the amount the division under-recovered or over-recovered in a given fiscal year. This computation compares what was originally negotiated to what actually occurred. The difference is then carried forward into the following year's rate.

The divisions indirect cost rate is determined based on guidelines prescribed by the federal government. Additionally, the division complies with 17-3-111, MCA, which requires agencies to negotiate a rate that would recover indirect costs to the greatest extent possible. In order to comply with this statute, the division has requested a rate that may vary slightly from the rate actually negotiated with HUD. The rate approved by the Legislature is considered a cap; therefore, the division cannot negotiate for a rate higher than what has been approved by the Legislature. However, the rate negotiated with HUD may be slightly lower.

**Significant Present Law:**

The only present law adjustment is for administrative costs; such as overtime, minor computer equipment based upon 4 year replacement schedules, and rent.

**New Proposals:**

There are no new proposals.